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23 UNITED STATES DISTRICT COURT
24 FOR THE NORTHERN DISTRICT OF CALIFORNIA
25 SAN FRANCISCO DIVISION

26 AMERICAN FEDERATION OF
27 GOVERNMENT EMPLOYEES, AFL-CIO, et
28 al.,

Plaintiffs,

v.

DONALD J. TRUMP, in his official capacity
as President of the United States, et al.,

Defendants.

Case No. 3:25-cv-03698-SI

**DECLARATION OF SHAWN
PHETTEPLACE**

DECLARATION OF SHAWN PHETTEPLACE

I, Shawn Phetteplace, hereby declare as follows:

1. I am the National Campaigns Director at Main Street Alliance (“MSA”). I have held that position since 2023, and have been on staff with MSA since 2020. In my role as national campaigns director, I work closely with MSA’s small business members. I make this statement based on personal knowledge and if called as a witness could and would testify competently thereto.

2. MSA is a national network of small businesses, with approximately 30,000 members throughout the United States. MSA helps small business owners realize their full potential as leaders for a just future that prioritizes good jobs, equity, and community through organizing, research, and policy advocacy. MSA also seeks to amplify the voices of its small business membership by sharing their experiences with the aim of creating an economy where all small business owners have an equal opportunity to succeed. MSA is nonpartisan and is a §501(c)(3) organization.

3. MSA has approximately 1410 small business members in California, including more than 70 small businesses in Alameda, Santa Clara, San Francisco, Sonoma, and Contra Costa Counties.

4. MSA’s small business members rely on the U.S. Small Business Administration (“SBA”) for a variety of valuable services that help small businesses succeed. These services include loans, loan guarantees, and grants; disaster relief; assistance in connecting small businesses with government contracting opportunities; and a national network of some 1,000 Small Business Development Centers that provide counseling and training to help entrepreneurs start their own businesses.

1 5. As of June 2024, according to publicly available data, the SBA had 7,646
2 employees throughout the United States, more than 800 of whom worked in California.

3 6. In February 2025, approximately 300 SBA probationary employees were
4 terminated, without advance notice. These terminations had a significant detrimental effect on
5 MSA's members including by delaying finalization, approval, and execution of loans that caused
6 MSA members economic harm.

7 7. On March 21, 2025, the SBA announced online through News Release 25-38 that
8 pursuant to President Trump's February 11, 2025 Executive Order, it was planning a RIF of 43%
9 of its staff. A true and correct copy of the SBA's March 21 Release, which can also be found at
10 [https://www.sba.gov/article/2025/03/21/small-business-administration-announces-agency-wide-](https://www.sba.gov/article/2025/03/21/small-business-administration-announces-agency-wide-reorganization)
11 [reorganization](https://www.sba.gov/article/2025/03/21/small-business-administration-announces-agency-wide-reorganization), is attached hereto as Exhibit A. The Release began: "Today, pursuant to EO
12 14210, the U.S. Small Business Administration (SBA) announced its plans for an agency-wide
13 reorganization. To return to its founding mission of empowering small businesses, and to restore
14 accountability to taxpayers, the agency will reduce its workforce by 43% – ending the expansive
15 social policy agenda of the prior Administration, eliminating non-essential roles, and returning to
16 pre-pandemic staffing levels." The Release quantified the number of positions that would be
17 eliminated: "Under the reorganization plan, the agency will eliminate approximately 2,700 active
18 positions out of a total active workforce of nearly 6,500 through voluntary resignations, the
19 expiration of COVID-era and other term appointments, and a limited number of reductions in
20 force (RIFs)." The Release also claimed that field operations would not be impacted: "Core
21 services to the public, including the agency's loan guarantee and disaster assistance programs, as
22 well as its field and veteran operations, will not be impacted."

23 8. I am also aware of multiple reductions-in-force (RIFs) notices that have already
24 occurred at the SBA, which placed affected employees on immediate administrative leave. Those
25

1 RIFs have targeted the SBA's procurement office, Office of Entrepreneurial Education, Office of
2 Entrepreneurial Development, Office of Field Operations, COVID-19 Economic Injury Disaster
3 Loan Servicing Center, and various field office staff positions including Program Support
4 positions that support lenders relations, business development, and economic development
5 specialists. I have also become aware that certain satellite offices have closed or are likely to
6 close.

7 9. The loss of 2,700 SBA employees—which is *nine times* the order of magnitude as
8 the probationary employee terminations—will severely imperil the services it provides to small
9 businesses, including MSA members. It will cut the agency's staff almost in half, necessarily
10 causing the loss of many essential functions and the impairment of others.

11 10. In particular, I am concerned about the potential elimination of positions on the
12 SBA's disaster side, which provides low-interest loans to businesses so they can rebuild after
13 disasters like hurricanes or fires. For example, the SBA's Emergency Injury Disaster Loan
14 ("EIDL") program provides emergency financial assistance to small businesses in natural
15 disasters, including businesses that have suffered as a result of the January 2025 Los Angeles
16 wildfires and Hurricane Helene in western North Carolina. EIDL loans help small businesses that
17 have suffered substantial economic injury as a result of a natural disaster, resulting in the inability
18 to meet financial obligations and pay their regular and necessary operating expenses. Small
19 businesses can use these loans for working capital and expenses such as the continuation of health
20 care benefits, rent, utilities, and fixed debt payments. This assistance is essential to help keep
21 small businesses afloat.

22 11. MSA's members have benefited from this crucial financial assistance. The
23 reduction of EIDL program staff will have severe effects on the availability of these loans. For
24 one thing, this will cause delays in the processing of paperwork for small businesses seeking to
25

1 obtain such loans. The probationary terminations caused such delays, and these reductions in staff
2 will be far larger. Such delays may cause compounding harm to small businesses, which may be
3 forced to delay build-out dates and contractors' work, and will be placed at a competitive
4 disadvantage. The reduction in staff will also cause problems obtaining loan modifications. As
5 the economy falters, MSA's members and other EIDL loan recipients are often struggling to make
6 timely payments on the original loan terms, and need to speak with an EIDL employee in order to
7 negotiate a modification of those loans. If loan recipients are unable to obtain timely assistance,
8 they may default on the loans, which would cause their loans to be transferred to the Department
9 of Treasury as debt and then sold to debt collectors without notice. And if the reduction in staff
10 causes remaining employees to rely more on automation, mistakes will be likely, and this may
11 again cause bad debt and debt collection when small businesses are unable to access personal
12 assistance.

13 12. In fact, I am currently aware of a small business owner who is an MSA member
14 and is unable to make payments on an EIDL loan and is attempting to negotiate smaller payments,
15 but cannot get a hold of anyone to renegotiate that loan. If that continues and gets worse, this
16 small business will likely default and the loan will be sent to debt collection. This will cause
17 severe harm to this small business, and I am concerned this story will be repeated many times
18 over. THis member told me, "We've been trying to contact the SBA about our EIDL loans for the
19 last six weeks so we can sell off our remaining assets, close out our accounts, etc, but have been
20 getting no response. I don't get even get a return email if the person we were previously working
21 for is no longer there. Meanwhile, we're paying a monthly storage fee on two units to keep those
22 assets and can't move forward in any way. I'm not sure what else we can do, but I don't want to
23 continue storing the items and don't want to auction them off and then have any issues with the
24 SBA."

1 13. Another SBA function, and one of its most essential, is to provide loan guarantees
2 of all types of loans to small businesses. While local banks often fund the loans themselves, it is
3 the loan guarantees from SBA that often are the only way for small business owners to obtain
4 financing. These are typically the kinds of loans that a commercial lender would consider too
5 risky but for the SBA's loan guarantees. MSA's members rely on SBA's loan guarantees to get
6 their businesses off the ground and help them grow. The process of obtaining loan guarantees can
7 be lengthy and slow at the best of times, but that process has historically been sufficiently reliable
8 that once the process is near completion, small business owners can begin entering into supply and
9 construction contracts with confidence that their financing will be available in time to pay those
10 contractors. The termination of large numbers of SBA employees is likely to slow down the
11 process of securing loan guarantees even further, thereby further delaying the contracting process.
12 Small business owners who have already entered into contracts with the expectation of obtaining
13 their loan guarantees are likely to be on the hook for expenses owed to contractors and suppliers
14 without the ability to pay amounts owed. The slowing of loan guarantees is therefore likely to
15 have ripple effects beyond the small businesses that are delayed in obtaining financing, as it
16 affects the cash flow of their contractors, suppliers, and the employees of those entities. A
17 slowdown in SBA loan guarantee work is also likely to deter local banks from providing loans for
18 startup businesses—another ripple effect that will harm local economies and job markets.

19 14. The drastic reduction in the SBA workforce is also likely to harm MSA members
20 that use the SBA's services to connect them with government contracting opportunities. The loss
21 of SBA employees will inevitably slow down the provision of these services. That means that
22 small businesses will be impaired in their ability to obtain valuable government contracts, with
23 ripple effects in local economies and job markets that could have benefited from those contracts.
24
25

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed this 25 day of April 2025 in Madison, Wisconsin.

Shawn Phetteplace

Exhibit A




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NEWS RELEASE 25-38

Small Business Administration Announces Agency-Wide Reorganization

SBA will restructure to eliminate wasteful spending,
restore mission of empowering small businesses

Published on March 21, 2025

WASHINGTON, D.C. – Today, pursuant to [EO 14210](#) , the [U.S. Small Business Administration](#) (SBA) announced its plans for an agency-wide reorganization. To return to its founding mission of empowering small businesses, and to restore accountability to taxpayers, the agency will

reduce its workforce by 43% – ending the expansive social policy agenda of the prior Administration, eliminating non-essential roles, and returning to pre-pandemic staffing levels.

The strategic reorganization will begin a turnaround for the agency by restoring the efficiency of the first Trump Administration, as well as its focus on promoting small businesses. Core services to the public, including the agency's loan guarantee and disaster assistance programs, as well as its field and veteran operations, will not be impacted.

The SBA's reorganization will enable the agency to become a dynamic and efficient force for small businesses, manufacturing, and job creation in support of President Trump's economic agenda. SBA will refocus its resources on the core missions of supplying capital, fostering innovation, supporting veteran small business owners, providing field support, and delivering timely disaster relief.

Key features of SBA's reorganization include:

- **Promoting business formation and growth** by shifting resources to expand capital formation functions and personnel, removing the emphasis from partisan programs of the past.
- **Prioritizing risk management and fraud prevention** by centralizing these functions within the Office of the Chief Financial Officer, in the effort to restore integrity to agency programs, audits, and financial statements.
- **Expanding disaster response support** by transferring disaster loan servicing functions and additional personnel into the Office of Disaster Recovery and Resilience. Additionally, the agency will cross-train field office personnel to support disaster recovery efforts.
- **Eliminating redundant pandemic-era positions** associated exclusively with processing pandemic-era loans within the Office of Capital Access.
- **Ensuring that 30% of the agency is located in the field**, by decentralizing services and working to better serve Main Streets across America.
- **Promoting veteran businesses and American manufacturing** by preserving existing staffing levels within the Office of Veterans Business Development and the Office of Manufacturing and Trade.
- **Exempting key accountability offices from reductions** at this time including the Office of Advocacy and the Office of the Inspector General.

Much of the reorganization is targeted to reverse the broad and costly expansion of the SBA under the Biden Administration. Since the pandemic, the agency has nearly doubled in size, in part to support a suite of new progressive programs like the Green Lender Initiative, the Community Navigator Pilot Program, and DEI activities. This partisan agenda, promoted at the expense of America's small businesses, predictably led to the deterioration of SBA's services and financial performance. An [estimated](#) \$200 billion in Paycheck Protection Program (PPP) and Covid Economic Injury Disaster Loan (EIDL) fraud was ignored for four years. Meanwhile, irresponsible Biden-era changes to the 7(a) loan program [generated](#) [🔗](#) rising defaults and delinquencies, as well as negative cash flow for the first time in over a decade – which will have future, multi-year consequences for the program.

“The SBA was created to be a launchpad for America's small businesses by offering access to capital, which in turn drives job creation, innovation, and a thriving Main Street. But in the last four years, the agency has veered off track – doubling in size and turning into a sprawling leviathan plagued by mission creep, financial mismanagement, and waste. Instead of serving small businesses, the SBA served a partisan political agenda – expanding in size, scope, and spending,” **said SBA Administrator Kelly Loeffler.**

“Just like the small business owners we support, we must do more with less. We have therefore submitted plans to pursue a strategic restructuring that will realign the agency and its resources with our founding mission. By eliminating non-mission-critical positions and consolidating functions, we will revert to the staffing levels of the last Trump Administration, which supported a historic economic boom. We will return our focus to driving private sector growth and delivering disaster relief with accountability, efficiency, and results.”

Under the reorganization plan, the agency will eliminate approximately 2,700 active positions out of a total active workforce of nearly 6,500 through voluntary resignations, the expiration of COVID-era and other term appointments, and a limited number of reductions in force (RIFs).

The average salary of an SBA employee is over \$132,000 – more than double the national average wage. The reduction in workforce will save taxpayers more than \$435 million annually by FY26.

SBA's reorganization plan will provide for the preservation of public services through a strategic transfer of duties. It will be actioned in the coming weeks.

###

About the U.S. Small Business Administration

The U.S. Small Business Administration helps power the American dream of entrepreneurship. As the leading voice for small businesses within the federal government, the SBA empowers job creators with the resources and support they need to start, grow, and expand their businesses or recover from a declared disaster. It delivers services through an extensive network of SBA field offices and partnerships with public and private organizations. To learn more, visit www.sba.gov.

Media contacts

**U.S. Small Business
Administration**

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